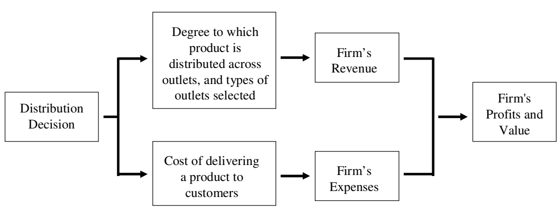
Chapter 13

Distributing Products

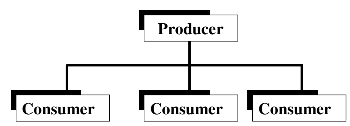
Learning Objectives

❶ Explain advantages and disadvantages of a direct channel of distribution, and identify factors that could determine the optimal channel of distribution.
❷ Differentiate between types of market coverage.
❸ Explain transportation options.
❹ Explain how retailers can serve manufacturers.
❺ Explain how wholesalers can serve manufacturers and retailers.
❻ Explain strategy and potential benefits of vertical channel integration.

Distribution and a Firm's Value



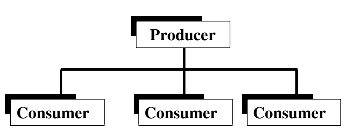
Distribution: Direct Channel



__Advantages__ of direct channels:

- Lower price to customer.
- Producer has full control.
- Producer obtains first-hand feedback.
- Online ordering.

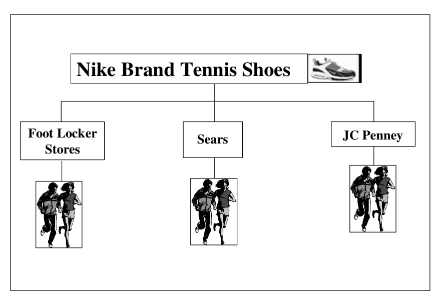
Distribution: Direct Channel



__Disadvantages__ of direct channels:

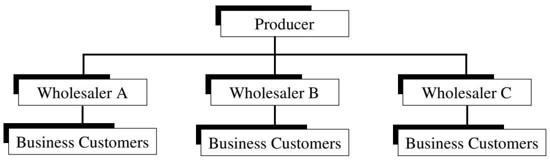
- Producer plays several roles.
- Higher promotional expenses.
- Producer needs more employees.
- Producer may need to sell on credit.

Distribution: One-Level Channel
Retailers



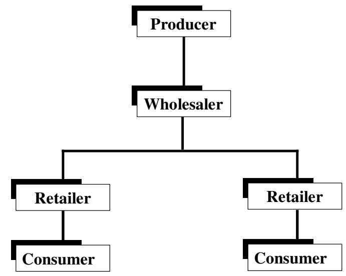
Distribution: One-Level Channel

Wholesalers



Distribution: Two-Level Channel

Two intermediaries participate.



Optimal Channel of Distribution

<u>Dependent Upon</u>:

① Ease of transporting.

② Degree of standardization

② Ability to fulfill Internet orders.

Intensive Distribution

- Put products into as many retail outlets as possible.
- Convenience goods utilize this kind of distribution.

Selective Distribution

- Use on a preferred group of retailers in an area.
- Helps assures producers of quality sales and service.

Exclusive Distribution

- Use of only one or a few retail outlets in a given geographic area.
- Retailer has exclusive rights to sell product.
- More likely to carry more inventory and give better service.
- Can create or maintain the prestige of the product.

Transportation Methods

Method	Cost	Speed	Dependability	Flexibility
Truck	Low to High	Fast	High	Medium
Air	Highest	Fastest	Low	Low
Train	Medium	Slow	Medium	High
Water	Lowest	Slowest	Lowest	Highest
Pipeline	Low	Medium	Highest	Lowest

Characteristics of Retailers

- Number of outlets
- Quality of service
- Products offered
- Store versus non-store

How Wholesalers Serve Manufacturers

- Warehousing
- Sales expertise
- Delivery to retailers
- Assume credit risk to retailers
- Information

How Wholesalers Serve Retailers

- Warehousing
- Promotion
- Displays
- Credit
- Information

Vertical Channel Integration

Vertical channel integration: Two or more levels of distribution are managed by a single firm.

<u>Vertical channel integration can occur by</u>:

•Manufacturers

•Retailers